



Attn: Megan Trudgian

11 March 2019

Mandatory Motor Vehicle Scheme
Consumer and Corporations Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: repairinfo@treasury.gov.au

Dear Megan

Treasury Consultation - Mandatory scheme for the sharing of motor vehicles service information

IAG welcomes the opportunity to provide comment on the 'mandatory scheme for the sharing of motor vehicle service and repair information' paper.

Introduction

IAG supports the introduction of an Australia-wide mandatory scheme for the sharing of motor vehicle service and repair information.

IAG authorises repairs on approximately 400,000 motor vehicles annually and as a result is one of the largest customers of the motor vehicle manufacturer sector. Most of the parts fitted during these repairs are new, Original Equipment Manufacturers (OEM) parts and these new parts account for around 91% of the total parts' cost. It is IAG's policy that all repairs authorised by us must be performed in accordance with manufacturer repair procedures. Therefore, ready access to technical information for parts and materials used in construction, along with detailed repair procedures, is crucial, not only to our business, but also to road safety, timely service and consumer satisfaction.

It is essential that technical and diagnostic repair information is available to all repairers and not restricted only to those businesses operating within manufacturer networks to ensure that vehicles are serviced and repaired efficiently, to a high quality, with an emphasis on safety and at a reasonable price.

A scheme which guarantees the ready availability of technical and diagnostic information would help ensure a more level playing field and encourage competition in the motor vehicle service and repair industry. This, in turn, will improve customer outcomes by encouraging downward pressure on prices and it will give customers confidence that they will get the best service possible irrespective of whether they take their vehicle to the manufacturer's preferred mechanic and/or smash repairer or elsewhere.

The mandatory scheme must clearly define what information is required to be shared so that there is no ambiguity for manufacturers, mechanics or repairers as to what information is required to be disclosed. Definitions should be drafted in a way to ensure that fair and reasonable access to information will be achieved.

Overall, IAG believes that a mandatory code for sharing information – with clear and unambiguous terms and definitions - will lead to significant benefits to the community and to the vehicle repair industry.

Sharing technical and diagnostic information

A form of market-based regulation was established to encourage a more formal approach with regards to the publication and accessibility of technical and diagnostic information for motor vehicle repair and servicing. This was via the Federal Chamber of Automotive Industries (FCAI) Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles. IAG submits that this scheme has not met its objectives in ensuring access to technical and diagnostic information for the insurance and repair industry.

Historically, vehicle manufacturers and importers would provide this information at their own discretion, and the present does not greatly alter this situation as these entities are not under any real obligation to make this information available outside their authorised dealer networks. This has created a situation where repairers and insurers have relied on commercial nous, broader strategic partnerships with research organisations or the goodwill of the manufacturer to obtain critical information to complete the repair.

The process to access technical vehicle information under the voluntary code can be difficult and time consuming. This is not sustainable for the long term and requires action from Government and regulators to ensure the Australian automotive industry can flourish and deliver the best outcomes for consumers.

A further aspect which has limited the effectiveness of the voluntary scheme – beyond its non-binding nature – is its definitions which are open to broad interpretation by signatories.

IAG submits that the drafting of definitions and obligations for a mandatory scheme should be performed by an independent body; independent of manufacturers, trades associations and repairers. The terms of a mandatory code should be based on successful overseas examples such as those in Europe and the United States.

To be effective, any mandatory scheme must also be clear as to what information is to be shared and what enforcement measures will be taken in the event of non-compliance. Clear and concise drafting will help reduce disputes regarding information access and will reduce delays in the provision of information.

Data safety and ownership

In developing a mandatory code, there is scope for Government and regulators to play a role in developing clear parameters of good practice when it comes to technical and diagnostic data accessibility.

At present, data collection may not require the explicit consent of the vehicle owner and in some cases transparency around how data is collected, how it is accessed and who has ownership of the data is deficient.

Consumer safety could be ensured by providing repairers with the information they need to service and repair vehicles while data security could be maintained by vetting those accessing information and monitoring their use of technical and diagnostic data.

New vehicles have increasing capability to record, store and send data back data to the manufacturer which can allow ongoing updates on the health status of the car system, and on the usage profile and driving behaviour of the owner/driver. The volumes of data capable of being generated by increasingly connected vehicles will have significant value for all sectors of the community. Sensor information can be used to guide infrastructure development with more granular

data on traffic flows and congestion.

Given the significance and potential applications of modern vehicle data, IAG submits that the rules around data ownership and definitions of what data is required to be shared (and how) must be made clear in a mandatory code.

Empowering consumers by providing choice and quality service

When our customers make a claim, we rely on our industry partners, predominantly smash repairers, who make up our supply chain network. These businesses are located across Australia and undertake over 400,000 repairs annually for all brands within IAG.

Our supply chain network is made up of thousands of businesses across the country, including paint and panel repairers, automotive mechanics, OEM Service Departments, paintless dent repairers, windscreen suppliers and fitters to name a few. Motor vehicle parts are also a critical element of the supply chain. The scale of our business means that we require significant volumes of component parts to undertake our customers' repairs. Therefore, IAG along with our supply chain are engaged with multiple segments of the automotive industry.

Insurers, such as IAG, take an active role in the consumer protection process. Most consumers do not use repair services often enough to develop sufficient expertise to distinguish the most appropriate repairer for their needs. As such, the repair market is characterised by consumers who are not well informed about the technicalities involved in repairing motor vehicles. Based on this information asymmetry, the role of insurers in the consumer process is an effective way of ensuring that quality repair services are provided efficiently and safely. Hence, it is imperative for all repairers to have equal access to vehicle information to ensure that customers can receive the best and most time and cost-efficient service possible.

As noted in the introduction, other jurisdictions have successfully implemented information sharing schemes which enable repairers to obtain the information they need to perform servicing and repairs. Regulation (EC) No 715/2007 established a system of access to vehicle repair and maintenance information in the European Union (EU).¹ The key objectives of the EU regulations are to facilitate competition in the vehicle aftermarket and lower the costs to consumers for repairs and maintenance.

The European Commission published a report in 2016 which reviewed the effectiveness of the information sharing initiative. The report concluded that the information sharing scheme has "allowed for more effective competition in the automotive aftermarket" and consumers "have benefited from market competition through lower spending on repair and maintenance, while vehicle technology has improved at the same time".²

IAG anticipates that similar outcomes – increased competition and lower repair prices - could also be achieved in Australia if a comparable scheme were introduced domestically.

Encouraging competition and innovation

IAG submits that the voluntary commitments made by motor vehicle manufacturers to share technical information with independent repairers have proved ineffective.

In many instances, consumers benefit from competitive aftermarkets and by having a choice of providers to repair and service their cars. A mandatory scheme to share vehicle information is the only way to achieve this.

IAG supports customers having the ability to choose where they have their vehicle repaired. To this end, we provide policy holders with the option to have their car attended to by a member of our

¹ Regulations which implement the scheme are Commission Regulation (EC) No 692/2008 and Commission Regulation (EU) No 566/2011.

² European Commission, 'Report from the Commission to the European Parliament and the Council on the operation of the system of access to vehicle repair and maintenance information established by Regulation (EC) No 715/2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information' (2016).

Partner Repairer Network or with a provider of their choice.

Wherever a driver chooses to take their car for repairs, we want to ensure that they receive the best service possible, in terms of timeliness, price, safety and quality. To enable this to occur, repairers must have access to the volumes of complex technical information which is held by manufacturers. Ready access to this information is particularly important at a time when cars are becoming more complex and expensive to repair.

Electronic and mechanical technologies are continuing to merge, creating vehicles which are effectively 'computers on wheels'. More modern and electronically-complex cars require more complex (i.e. capital intensive) equipment and specialist-skilled workers to repair. Technology has also led to the development of new repair techniques and business models.

Traditional mechanics and smash repairers worked with less complicated vehicles and could fix almost every problem across a broad range of cars. However, this is no longer the case with the rapid technological changes occurring. The demand for tradespeople and specialists is increasing in response to the increase in complexity of cars on the market.

The combined forces of technology, safety and globalisation mean that the repair, service, retail, insurance and recycling sectors of the Australian automotive industry are facing adjustment. It is anticipated that manufacturing will no longer play a key role and the sales, service and repair of motor vehicle components will eventually represent 95% of all activity. Considering the present and likely future landscape of the Australian automotive industry, information sharing is vital to ensuring a competitive market and continued technical innovation.

Further, the cost of replacement parts and components, on average, comprises 45% - 55% of the total cost of repairing a vehicle. Therefore, the parts market has a significant impact on the cost of repairs and the cost of insurance premiums for consumers.

The significance of automotive parts within the repair industry supply chain and the changing landscape of the Australian automotive industry mean that information sharing will be essential in supporting innovation and competition into the future.

Specific recommendations

Regarding 3.24 of the Consultation Paper, it is submitted that 'insurers' should be included in the class of interested parties who can seek access to information.

IAG submits that the knowledge, skills and education level components of the criteria outlined in 3.24 is susceptible to being interpreted too broadly. This may increase disputes over access and have negative consequences for the security and use of technical and diagnostic data in addition to the quality of repairs. A code must be very clear on the specific skills, training and tools that are required to be able to access information.

3.29 and 3.30 of the Consultation Paper refers to fees and charges associated with information access. IAG submits that costs should be equal, free of hidden subsidies, and in accordance with a regulated costs regime which may be reviewed at regular intervals. A clear costs regime will eliminate ambiguity and any resulting delays.

In relation to 3.41, IAG submits that if penalties are to be attached to the Code, then the Government ought to specify a period for transition to penalties. IAG suggests that this issue could be considered and implemented at a review of the code approximately 18 months after commencement (in accordance with 3.43).

IAG submits that, in relation to 3.5 of the Consultation Paper, a mandatory code should apply to all existing vehicles up to at least 13 years old. Such a measure would better reflect the average age of the current Australian passenger vehicle fleet.

With respect to the proposed Committee (4.2), IAG does not oppose the creation of such a Committee. However, IAG suggests that an information portal, or similar, may be an effective alternative to a Committee. Although, if a Committee is ultimately convened, then IAG would support the inclusion of a representative from the insurance industry, such as the Insurance Council of

Australia, to ensure that the interests of all stakeholders are adequately represented on the Committee.

IAG submits that, with respect to 5.2(c) of the Consultation Paper, access to parts catalogues and pricing information should to be included. Repairers require access to this material to determine whether a vehicle repair is viable. We understand however, that some OEMs are removing or restricting access to this information to drive business to its dealer network. This means that repairers outside manufacturer and dealer networks are at a competitive disadvantage and this conduct ultimately impacts consumers.

Conclusion

IAG supports a mandatory scheme for sharing service and repair information as such a scheme will result in efficient and fair access to technical and diagnostic information for all repairers and mechanics. Consumers will benefit from increased competition in the motor vehicle servicing and repair sector, in terms of pricing and reducing delays in having vehicles serviced and repaired.

IAG supports the establishment of a scheme which prioritises consumer expectations and we believe that a mandatory information sharing scheme (including a mandatory vehicle data sharing scheme) will deliver many benefits to consumers.

If you have any questions or require any further information please do not hesitate to contact Kavitha Burge, Principal, Public Policy & Industry Affairs on (02) 9088 9687 or David Wellfare, Executive Manager, Public Policy & Industry Affairs on (02) 9292 8593.

Sincerely,



Kavitha Burge
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